

**PUBLIC DISCLOSURE**

**February 6, 2012**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**LEOMINSTER CREDIT UNION**

**20 ADAMS STREET  
LEOMINSTER, MA 01453  
CERT # 66699**

**DIVISION OF BANKS  
1000 Washington Street, 10<sup>th</sup> Floor  
Boston, MA 02118**

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.

## TABLE OF CONTENTS

I.	General Information.....	1
II.	Institution Rating	
	a. Overall Rating .....	2
	b. Description of the Institution .....	3
	c. Description of the Assessment Area .....	4
	d. Performance Criteria.....	7
III.	Appendix	
	a. General Definitions .....	16

## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Leominster Credit Union (or the "Credit Union")**, prepared by the Division, the institution's supervisory agency as of **February 6, 2012**.

The Credit Union is subject to review under the Intermediate Small Institution CRA evaluation procedures specified for institutions with assets of at least \$290 million as of December 31 or both of the prior two calendar years, and less than \$1.160 billion as of December 31 of either of the prior two calendar years (adjusted annually). The rating of this institution is established upon a review of the Lending Test and the Community Development Test, as shown in this public evaluation.

## SCOPE OF THE EVALUATION

This evaluation considered the Credit Union's lending and community development activities for the period of August 9, 2007 through February 5, 2012. The data and applicable timeframes for the Lending Test and the Community Development Test are discussed below.

The Lending Test focused on home mortgage lending. Home mortgage data analyzed included full-year data from January 1, 2010 through December 31, 2010 and the first nine months of 2011 (YTD 2011). Information concerning home mortgage lending was derived from the Loan Application Registers (LARs) maintained by the Credit Union, pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs contain data about home purchase and home improvement loans, including refinancings, of one- to four-family and multifamily (five or more units) properties. The institution reported 267 originations totaling \$35 million in 2010 and 181 originations totaling \$22.5 million for YTD 2011. This performance, attributable in part to economic conditions, represents a decrease from the previous evaluation when the Credit Union had 463 originations. The evaluation emphasizes the Credit Union's home mortgage lending performance in 2010, as this is the most recent year for which aggregate HMDA lending data is available (aggregate lending data). The aggregate lending data is used for comparison purposes within the evaluation and is a measure of loan demand. It includes lending information from all HMDA reporting lenders that originated loans in the Credit Union's assessment area. Home mortgage lending data for YTD 2011 is referenced in the narrative to illustrate trends in the Credit Union's lending data.

The Division's regulation 209 CMR 46.22(2)(f) requires the evaluation of an institution's lending performance to also include the following criteria: "The institution's performance relative to fair lending policies and practices pursuant to written policies and directives issued by the Commissioner." In light of the Credit Union's high level of automobile secured lending, representing 41% or \$139.5 million of the total loan volume, a sample of automobile secured loans was also evaluated for fair lending performance.

The Community Development Test included community development loans, investments, and services for the period of August 9, 2007 through February 5, 2012. Community development grants and donations for the same time period were also included.

Demographic information is from the 2000 U.S. Census unless otherwise noted. Financial data was derived from the September 30, 2011 Report of Condition and Income (Call Report).

**INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."**

A review of the Credit Union's indirect auto loan portfolio revealed violations of the Consumer Financial Protection Bureau's Regulation B, Equal Credit Opportunity Act and the Division's Regulatory Bulletin 2.3-101, Community Reinvestment and Fair Lending Policy. The Credit Union's failure to establish effective internal control procedures with regard to pricing of these products resulted in the disparate treatment of certain borrowers.

The Division's regulation 209 CMR 46.28(3) explains the principles for the assignment of the CRA rating:

Effect of evidence of discriminatory or other illegal credit practices. Evidence of discriminatory or other illegal credit practices adversely affects the Commissioner's evaluation of an institution's performance. In determining the effect on the institution's assigned rating, the Commissioner considers the nature and extent of the evidence, the policies and procedures that the institution has in place to prevent discriminatory or other illegal credit practices, any corrective action that the institution has taken or has committed to take, particularly voluntary corrective action resulting from self-assessment, the institution's compliance with written policies and directives with regard to fair lending, and other relevant information

***Lending Test: "Satisfactory"***

- There was limited or no internal control procedures to ensure the institution's policies and procedures are being followed and that discrimination does not play a part in loan origination and/or the credit decision process;
- The Credit Union's net loan-to-share ratio for the previous eight quarters was 76.2 percent;
- Lending activity within the Credit Union's assessment area stood at 77.7 percent of its originations reportable under the Home Mortgage Disclosure Act ("HMDA") within its assessment area;
- The Credit Union outperformed the 2010 aggregate for HMDA-reportable lending to low- and moderate-income individuals.
- The geographic distribution of the Credit Union's HMDA reportable loans in low- and moderate-income census tracts was below the 2010 aggregate.

***Community Development Test "High Satisfactory"***

The Credit Union's community development performance met its obligations in its assessment area through its qualified donations and community development services and loans.

## PERFORMANCE CONTEXT

### Description of Institution

Leominster Credit Union is a community-based financial institution incorporated in May of 1954. Membership in Leominster Credit Union is limited to individuals living, working, or having business within six Massachusetts counties including Worcester, Middlesex, Franklin, Hampden, Hampshire, and Norfolk. The Credit Union's main office is located at 20 Adams Street, in Leominster. In addition to its main office, Leominster Credit Union operates six full-service branch offices. These offices are located in the towns of Clinton, Holden, Sterling and the City of Worcester. A second Leominster office is located at 1316 Main Street, North Leominster. All offices offer drive-up facilities with extended hours and 24-hour ATM service with network access. In addition, Leominster Credit Union operates two high school branches located at Clinton High School and Wachusett Regional High School in Holden.

Leominster Credit Union's high school branches are supervised by a Credit Union employee and staffed by students, generally from the business curriculum. A school branch is an educational facility through which students learn basic principles and practices of banking. The branches offer full service banking including all deposit and loan products and are accessible to the public. The students gain exposure to many aspects of a working environment and receive course credit for their work.

The Credit Union offers 24-hour online services, which allows members to check balances, review account history, make bill payments, and transfer funds between accounts. Along with the Credit Union's online services, it offers a bill paying service. In addition, the Credit Union's homepage, [www.leominstercu.com](http://www.leominstercu.com), allows members to fill out Credit Union applications for consumer loans. The Credit Union also offers 24-hour telephone banking through its Members Express Line (MEL). This service provides account access 24 hours per day, 7 days a week. MEL allows members to obtain balance information, execute transfers between accounts, make loan payments or calculate what a loan payment might be.

On November 29, 2010, the Credit Union opened the branch at 137 Shrewsbury Street in Worcester, located in a low-income census tract. The Holden branches, Sterling branch, and Paxton branch are located in upper-income census tracts. The main office in Leominster is located in a middle-income census tract as are all remaining branches.

Business hours are readily accessible to all members. All branches have 24 hour Automated Teller Machines. In addition, Leominster Credit Union is a member of the SUM, Cirrus, Money Pass, NYCE, and Co-op ATM Networks, giving members' access to thousands of ATMs without incurring an ATM surcharge.

The Credit Union was last examined for compliance with the CRA on August 8, 2007. The examination resulted in a CRA rating of "Outstanding." The Credit Union's assets have increased from \$343 million to \$615 million since the previous examination.

As of September 30, 2011, the Credit Union's asset size was \$614,581,509 with total loans of \$339,584,177 or 55.3 percent of total assets. The Credit Union's net loan to share ratio, as of the same date, was 72.5 percent. First lien mortgage loans and lines of credit represent the largest portion of loans with 45.4 percent followed by used vehicle loans with 33.3 percent and other real estate loans with 11.9 percent.

The following table provides additional details regarding the Credit Union's loan portfolio:

<b>Table 1</b> <b>Leominster Credit Union Loan Portfolio Distribution</b>		
<b>Loan Type</b>	<b>Dollar Volume</b>	<b>Percentage of Total Loans</b>
Unsecured Credit Card Loans	\$0	0.0
All Other Unsecured Loans/Lines of Credit	\$2,387,978	0.7
Non-Federally Guaranteed Student Loans	\$333,246	0.1
New Vehicle Loans	\$26,325,055	7.8
Used Vehicle Loans	\$113,234,444	33.3
Total 1 <sup>st</sup> Mortgage Real Estate Loans/Line of Credit	\$154,213,185	45.4
Total Other Real Estate Loans/Lines of Credit	\$40,320,229	11.9
Total All Other Loans/Lines of Credit	\$2,770,040	0.8
<b>Total</b>	<b>\$339,584,177</b>	<b>100.0</b>
<i>Source: 5300 Report, Statement of Financial Condition as of September 30, 2011.</i>		

The Credit Union provides an array of financial services to its members, including mortgage loans, new and used auto loans, equity loans (lines and fixed rate/term), unsecured personal loans, and member business loans. Deposit products offered include personal accounts such as checking, savings, certificates, and IRA accounts. For deposit products, business accounts, commercial checking accounts, money market accounts, savings accounts, and certificate of deposits are offered to members.

Other mortgage products offered to members of the Credit Union include "Get the Lead Out" loans. This program is administered by local housing rehabilitation agencies approved by MassHousing which, through a partnership with the Department of Public Health and the Office of Housing and Community Development, offer an affordable option to remove hazardous lead paint from homes in Massachusetts. The Credit Union has originated 14 of these loans totaling \$378,000.

The Credit Union offers personal unsecured loans to students in two qualified Nurse Assistant and Home Health Aide training programs. These loans range from \$893 to \$1,000 and are given to students to pay for the training. The 6 to 8 week program results in State certification and more than 85% of graduates find jobs in the health care industry. During the evaluation period, the Credit Union originated 47 of these types of loans totaling \$43,000.

### **Description of the Assessment Area**

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Credit Union's assessment area as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions, (2) includes the geographies where the Credit Union has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state boundaries (unless permitted otherwise by the regulation), (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

The Credit Union's assessment area contains 31 cities and towns located in the Worcester and Middlesex Counties. These include the cities and towns of; Ashburnham, Ashby, Auburn, Berlin, Bolton, Boylston, Clinton, Fitchburg, Gardner, Grafton, Harvard, Holden, Hubbardston, Lancaster, Leicester, Leominster, Lunenburg, Millbury, Oakham, Paxton, Princeton, Rutland, Shirley, Shrewsbury, Sterling, Templeton, Townsend, West Boylston, Westminster, Winchendon and Worcester.

Refer to Table 2 for pertinent demographic information concerning the assessment area.

<b>Table 2 Demographic Information</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A % of #
Geographies (census tracts)	114	11.4	19.3	50.9	16.7	1.7
Population by Geography	501,722	8.6	18.4	53.3	19.5	0.2
Owner-Occupied Housing by Geography	116,260	2.1	11.6	61.2	25.1	0.0
Family Distribution by Income Level	126,482	22.1	18.4	22.6	36.9	0.0
Distribution of Low and Moderate Income Families throughout AA Geographies	51,218	13.6	25.9	50.3	10.2	0.0
Median Family Income		\$58,121	Median Housing Value Unemployment Rate		\$151,475	
HUD Adjusted Median Family Income for 2011		\$82,500			4.73%	
Households Below Poverty Level		10.7%				

Source: 2000 US Census and 2011 HUD updated Median Family Income (MFI)

### *Geographies*

As the data in Table 2 shows, the assessment area contains 114 census tracts. Of those tracts, 13 or 11.4 percent are low-income, 22 or 19.3 percent are moderate-income, 58 or 50.9 percent are middle-income, 19 or 16.7 percent are upper-income and 2 or 1.7 percent is N/A.

### *Population*

The assessment area has a total population of 501,722 residing in 126,482 family households. Of all family households in the area, 22.1 percent are low-income, 18.4 percent are moderate-income, 22.6 percent are middle-income, 36.9 percent are upper-income and 7.8 percent are families below the poverty level. Of the 190,129 households, 48,374 or 25.4 percent are low-income and 29,791 or 15.7 percent are moderate-income and 20,285 or 10.7 percent are households that are below the poverty level.

### *Housing Units*

The assessment area consists of 199,210 total housing units, of which 116,260 or 58.4 percent are owner-occupied units, 73,625 or 37.0 percent are occupied rental units and 9,325 or 4.7 percent are vacant units. Of the 132,944 owner-occupied housing units, 2.1 percent are in the low-income census tracts, 11.6 are in the moderate-income census tract, 61.2 percent are in the middle-income census tracts, and 25.1 percent are in upper-income census tracts. The median housing value in 2000 for the assessment area was \$151,475, and the median age of the housing stock was 39 years. More recent data obtained from The Warren Group indicates the 2010 median housing values in the assessment area ranged from a low of \$142,000 in Fitchburg to a high of \$515,000 in Harvard. For 2011, the median housing values ranged from a low of \$129,700 in Gardner to a high of \$536,000 in Harvard.

### *Unemployment*

The unemployment rate statewide for Massachusetts is 6.8 percent according to December 2011 statistics gathered from the Bureau of Labor Statistics. This represents a decrease from December 2010, when the unemployment rate in Massachusetts was 8.3 percent. As of December 2011, the unemployment statistics for some of the cities and towns in the assessment area per the Massachusetts Labor and Workforce Development were: Auburn - 6.1 percent, Fitchburg - 9.9 percent, Leominster - 8.2 percent, Shrewsbury - 5.5 percent, and Worcester - 7.7 percent.

### *Competition*

The Credit Union faces strong competition from other financial institutions that originated loans within the assessment area. These institutions range in size from small credit unions and mortgage companies with single office locations to the largest Credit Unions in New England. Among the Credit Union's competitors are St. Mary's Credit Union, I-C Federal Credit Union, and Workers' Credit Union.

### **Community Contact**

A community organization serving a portion of the Credit Union's assessment area was contacted during this examination. This organization provides a variety of services to low-income individuals and families including housing, food, shelter, job training, and health care services.

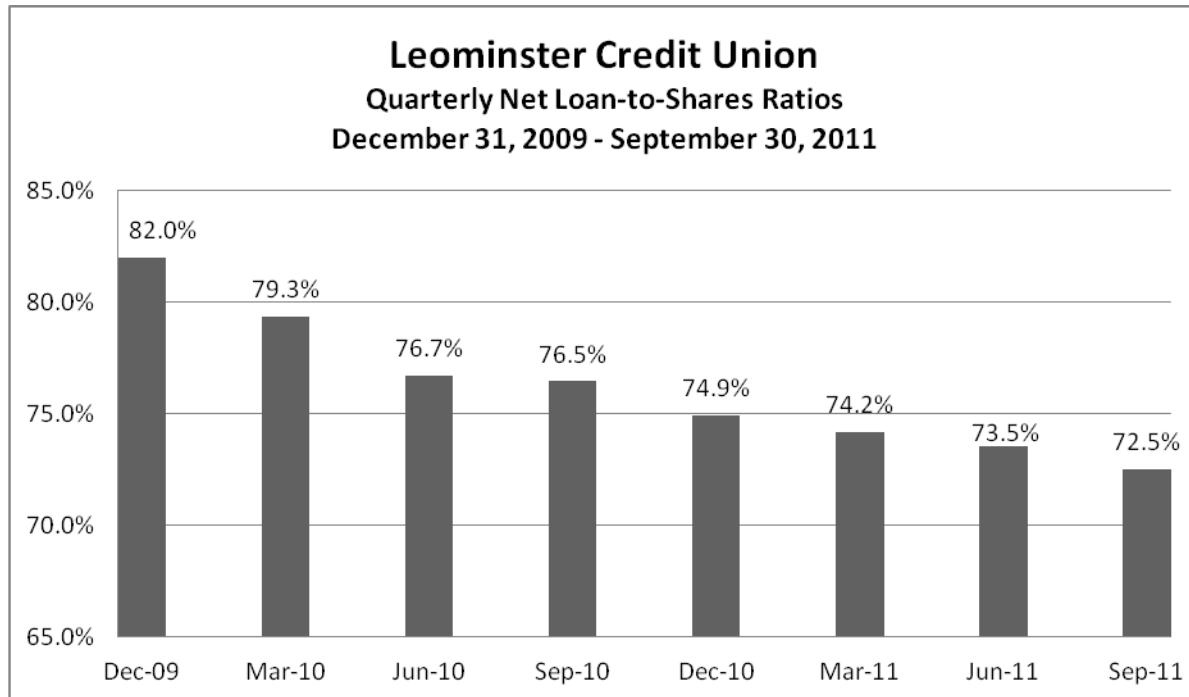


## PERFORMANCE CRITERIA

### LENDING TEST

#### 1. LOAN TO SHARE ANALYSIS

A comparative analysis of Leominster Credit Union's quarterly net loan-to-share (LTS) ratios for the period of December 31, 2009 through September 30, 2011, was conducted during this examination. Using the Credit Union's quarterly Call Reports, the average net LTS ratio for this period was 76.2 percent. This ratio is based on loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total shares. The following graph is provided for further analysis:



The Credit Union's average quarterly net LTS ratio over the period reviewed was 76.2 percent and is considered reasonable. The net LTS ratio for this period has decreased over the last 8 quarters from a high of 82.0 percent (December 2009) to a low of 72.5 percent (September 2011). The LTS ratio decreased in 8 consecutive quarters. During this timeframe, net loans have decreased 4.3 percent and shares have increased 8.2 percent.

The following table illustrates the LTS ratios of financial institutions within the assessment area as of September 30, 2011 in comparison to the Credit Union.

Table 3 Peer Group Loan-to-Share Comparison		
Credit Union Name	Total Assets \$('000s) as of 9/30/11	Average Net LTS Ratio 12/31/09 – 9/30/11
Workers' Credit Union	\$811,621	97.0
<b>Leominster Credit Union</b>	<b>\$614,582</b>	<b>76.2</b>
St. Marys' Credit Union	\$590,621	74.2
I-C Federal Credit Union	\$444,537	109.9

Source: Report of Condition and Income (Call Reports) 09/30/2011

As shown in Table 3 above, the four other institutions' average quarterly LTS ratios ranged from a low of 74.2 percent to a high of 109.9 percent. At 76.2 percent, the Credit Union's average net LTD is within the range of similarly-situated credit unions. Between August 9, 2007, and February 5, 2012, Leominster Credit Union sold 49 loans totaling \$8.1 million to secondary market investors, including MassHousing and FannieMae.

Based on the above information and the Credit Union's capacity to lend, the capacity of other similarly-situated credit unions, the types of loans available at the Credit Union, and the lending opportunities available, the Credit Union's loan-to-deposit ratio is considered reasonable.

## 2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

This performance criterion evaluates whether the Credit Union is meeting the credit needs within its assessment area. Based on a review of HMDA-reportable loans, a majority of the Credit Union's lending activity occurs within the institution's assessment area. Table 4 illustrates the Credit Union's record of extending residential mortgage inside and outside the assessment area by number and dollar amount over the period reviewed.

Table 4 Distribution of Loans Inside and Outside of Assessment Area										
Year	Number Loans					Dollar Volume (\$000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2010	207	77.5	60	22.5	267	\$29,034	82.6	\$6,137	17.4	\$35,171
YTD 2011	141	77.9	40	22.1	181	\$18,429	81.8	\$4,093	18.2	\$22,522
<b>Grand Total</b>	<b>348</b>	<b>77.7</b>	<b>100</b>	<b>22.3</b>	<b>448</b>	<b>\$47,463</b>	<b>82.3</b>	<b>10,230</b>	<b>17.7</b>	<b>\$57,693</b>

Source: 2010 and YTD 2011 HMDA LARs

As shown in Table 4, the Credit Union originated 348 home loans totaling \$47.5 million in the assessment area during the evaluation period. This represents 77.7 percent of the total number of home loans originated by the Credit Union and 82.3 percent by dollar volume. The distribution of loans by number bears more weight on the Credit Union's rating than the distribution by dollar amount, as the number of loans correlates more closely to the number of individuals or families that were able to obtain home mortgage loans.

The Credit Union's performance under this criterion is considered reasonable as a majority of residential loans by number were originated inside the assessment area.

## 3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

This performance criterion evaluates the distribution of a Credit Union's residential loans based on borrower characteristics. Analyses were conducted of the Credit Union's residential mortgage loans inside the assessment area based on borrower income. Emphasis is placed on loans to low- and moderate-income borrowers.

Overall, given the demographics of the assessment area, the distribution of borrowers reflects an excellent penetration among individuals of different income levels, including those of low- and moderate-income.

Residential lending data was reviewed to assess how well the Credit Union is addressing the housing credit needs of the area's low-, moderate-, middle-, and upper-income residents. This criterion focuses on the Credit Union's record of lending to low- and moderate-income borrowers residing in the assessment area. See Table 5 for information concerning the distribution of loans by borrower income.

<b>Table 5</b> <b>Distribution of HMDA Loans by Borrower Income</b>									
Median Family Income Level	% Total Families	Aggregate Lending Data 2010		2010		YTD 2011		Total	
		#	%	#	%	#	%	#	%
<b>Low</b>	22.1	1,450	7.7	29	14.2	16	11.7	45	13.2
<b>Moderate</b>	18.4	4,188	22.2	62	30.2	34	24.8	96	28.1
<b>Middle</b>	22.6	5,143	27.3	56	27.3	42	30.7	98	28.6
<b>Upper</b>	36.9	8,051	42.8	58	28.3	45	32.8	103	30.1
<b>Total</b>	100.0	18,832	100.0	205	100.0	137	100.0	342	100.0

Source: 2000 U.S. Census, 2010 and YTD 2011 HMDA LARs, 2010 HMDA Aggregate Data

Table 5 shows that in 2010 the Credit Union's percentage of loans to low-income borrowers (14.2 percent) was higher than the 2010 aggregate percentage (7.7 percent). The Credit Union's percentage of loans to low-income borrowers was lower than the total percentage of low-income families in the assessment area (22.1 percent). The Credit Union's lending to low-income borrowers demonstrates a decrease to 11.7 percent in YTD 2011. The Credit Union's performance in lending to low-income borrowers in the assessment area is further highlighted by the 2010 market share report. The Credit Union ranked 10<sup>th</sup>, with a market share of 2.5 percent, for all assessment area loans originated to low-income borrowers. The Credit Union has the fourth highest market share of all local community institutions for low-income borrowers.

In 2010, the Credit Union extended 30.2 percent of total loans to moderate-income borrowers, which was higher than the percentage of moderate-income families (18.4 percent) and the 2010 aggregate market percentage of 22.2 percent. The Credit Union's lending to moderate-income borrowers decreased from 30.2 percent in 2010 to 24.8 percent in YTD 2011. The 2010 market share report pertaining to loans made to moderate-income borrowers in the assessment area indicates the Credit Union ranked 15<sup>th</sup> with a market share of 1.8 percent. The Credit Union has the fifth highest market share of all local community institutions for moderate-income borrowers.

#### 4. GEOGRAPHIC DISTRIBUTION

The geographic distribution of loans based on income category of census tract was reviewed to assess how well the Credit Union is addressing the credit needs throughout the assessment area. As mentioned previously, the Credit Union's assessment area contains 114 census tracts, 13 of which are low-income, 22 are moderate-income, 58 are middle-income, 19 are upper-income, and 2 is N/A.

The overall distribution of the Credit Union's residential mortgage loans reflects an adequate dispersion throughout the assessment area.

The geographic distribution of home mortgage loans reflects adequate dispersion throughout the assessment area. Table 6 presents the Credit Union's home mortgage lending performance as well as the 2010 aggregate lending data. In addition, the table also reflects the percentage of owner-occupied housing units in each of the census tract income categories.

<b>Table 6</b>									
<b>Distribution of HMDA Loans by Income Category of the Census Tract</b>									
<b>Median Family Income Level</b>	<b>% Total Owner-Occupied Housing Units</b>	<b>Aggregate Lending Data 2010</b>		<b>2010</b>		<b>YTD 2011</b>		<b>Total</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	2.1	359	1.6	1	0.5	1	0.7	2	0.6
<b>Moderate</b>	11.6	1,819	8.2	14	6.8	15	10.6	29	8.3
<b>Middle</b>	61.2	12,377	55.5	128	61.8	80	56.7	208	59.8
<b>Upper</b>	25.1	7,736	34.7	64	30.9	45	32.0	109	31.3
<b>Total</b>	100.0	22,291	100.0	207	100.0	141	100	348	100.0

*Source: 2000 U.S. Census, 2010 and YTD 2011 HMDA LARs, 2010 HMDA Aggregate Data*

As indicated in Table 6, the Credit Union originated 0.5 percent of its home mortgage loans by number within low-income tracts during 2010, which was lower than the percentage of total owner-occupied units located in low-income tracts (2.1 percent), and the aggregate lending performance (1.6 percent). In 2011, the performance in lending to low-income tracts remained constant at 0.7 percent.

The Credit Union originated 6.8 percent of its home mortgage loans by number within moderate-income tracts during 2010, which was lower than the percentage of total owner-occupied units located in moderate-income tracts (11.6 percent) and slightly lower than the aggregate lending performance (8.2 percent). The Credit Union's performance increased to 10.6 percent in YTD 2011.

## 5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

The Credit Union's Fair Lending Policy was reviewed to determine how this information relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy. This policy articulates the Division's position that it is the responsibility of all state chartered depository institutions to establish and effectuate policies and procedures to detect and eliminate discrimination. The examination revealed the Credit Union failed to effectively monitor and evaluate its indirect automobile lending program, resulting in disparities in loan pricing not attributable to legitimate creditworthiness of the borrowers. Therefore, the Credit Union's performance under this criterion is deemed to need improvement.

The Credit Union has 20 employees who are bilingual to help non-English speaking customers of the Credit Union. Employees are available to service members in other languages that include Spanish, Hmong, Russian, Twi, Gujarate, and Portuguese.

The Credit Union has a second review process for denied loan applications. Loans that are considered denied are reviewed by the Credit Union's Vice President of Real Estate Lending and Mortgage Manager.

## MINORITY APPLICATION FLOW

According to the 2000 U.S. Census Data, the Credit Union's assessment area contained a total population of 501,722 individuals, of which 17.0 percent are minorities. The assessment area's minority and ethnic population is 3.4 percent Black/African American; 3.1 percent Asian; 0.2 percent American Indian; 8.6 percent Hispanic or Latino and 1.7 percent other.

For 2010 and YTD 2011, the Credit Union received 686 HMDA-reportable loan applications from within its assessment area. Of these applications, 18 or 2.6 percent were received from minority applicants, of which 4 or 22.2 percent resulted in originations. For the same time period, the Credit Union also received 37 applications or 5.4 percent from applicants of Hispanic ethnicity within its assessment area, of which 8 or 21.6 percent were originated.

The Credit Union's level of lending was compared with that of the aggregate's lending performance level for the most recent year that data was available, the year 2010. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Credit Union received from minority residential loan applicants. Refer to the table below for information on the Credit Union's minority application flow as well as the aggregate lenders (excluding the Credit Union) in the Credit Union's assessment area.

<b>Table 7</b> <b>MINORITY APPLICATION FLOW</b>								
RACE	2010 Aggregate		Credit Union 2010		Credit Union YTD 2011		Total	
	#	%	#	%			#	%
American Indian/Alaska Native	60	0.2	0	0.0	0	0.0	0	0.0
Asian	1,705	5.5	9	2.1	0	0.0	9	1.3
Black/ African American	532	1.7	6	1.4	0	0.0	6	0.9
Hawaiian/Pac Isl.	50	0.2	0	0.0	0	0.0	0	0.0
2 or more Minority	14	0.0	0	0.0	0	0.0	0	0.0
Joint Race (White/Minority)	286	0.9	2	0.5	1	0.4	3	0.4
<b>Total Minority</b>	<b>2,647</b>	<b>8.5</b>	<b>17</b>	<b>4.0</b>	<b>1</b>	<b>0.4</b>	<b>18</b>	<b>2.6</b>
White	22,293	71.5	408	93.7	243	96.8	651	94.9
Race Not Available	6,254	20.0	10	2.3	7	2.8	17	2.5
<b>Total</b>	<b>31,194</b>	<b>100.0</b>	<b>435</b>	<b>100.0</b>	<b>251</b>	<b>100.0</b>	<b>686</b>	<b>100.0</b>
<b>ETHNICITY</b>								
Hispanic or Latino	812	2.6	23	5.3	7	2.8	30	4.4
Not Hispanic or Latino	23,811	76.3	394	90.6	237	94.4	631	92.0
Joint (Hisp/Lat /Not Hisp/Lat)	285	0.9	7	1.6	0	0.0	7	1.0
Ethnicity Not Available	6,286	20.2	11	2.5	7	2.8	18	2.6
<b>Total</b>	<b>31,194</b>	<b>100.0</b>	<b>435</b>	<b>100.0</b>	<b>251</b>	<b>100.0</b>	<b>686</b>	<b>100.0</b>

Source: 2010 and YTD 2011 HMDA LARs, 2010 HMDA Aggregate Data

The Credit Union's performance was significantly below the 2010 aggregate performance level for minority applicants. The Credit Union's performance was higher than the 2010 aggregate's performance for ethnic minorities. For those of joint ethnicity, the Credit Union's performance of 1.6 percent was slightly higher than the 2010 aggregate's performance level of 0.9 percent.

The Credit Union's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is less than adequate for the aggregate lending and the demographics of the assessment area.

## **COMMUNITY DEVELOPMENT TEST**

Leominster Credit Union's community development performance demonstrates good responsiveness to the community development needs of its assessment area. The Credit Union has met these community development needs through the provision of qualified investments, grants, donations, and loans and by taking a leadership role in providing its professional expertise, financial and technical services to organizations within its assessment area whose primary mission and purpose is to meet the needs of low- and moderate-income individuals.

### **Community Development Loans**

The institution's community development lending activities are evaluated pursuant to the following criteria: (1) the extent to which community development lending opportunities have been made available to the institution; (2) the responsiveness of the institution's community development lending; and (3) the extent of leadership the institution has demonstrated in community development lending.

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the Credit Union for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the Credit Union's assessment area or a broader statewide or regional area that includes the Credit Union's assessment area.

During the evaluation period, Leominster Credit Union originated 5 community development loans totaling \$712,000 in its assessment area. The Credit Union's performance is good given the presence of strong competition from large banks, and given the Credit Union's responsiveness to the community development needs of its assessment area.

Following are descriptions of Leominster Credit Union's community development loans:

- In 2008 through 2011, the Credit Union opened and renewed a \$150,000 Line of Credit to a local affordable housing organization, which builds and renovates housing in north central Massachusetts for economically disadvantaged families.
- In 2011, the Credit Union originated a \$112,000 home improvement loan to a real estate development company to renovate a six-unit property in Leominster. The property is located in a moderate-income census tract and several tenants are low-income individuals on subsidized housing.

## **QUALIFIED INVESTMENTS**

In accordance with 209 CMR 46.23, credit unions will not be evaluated under the Investment Test except as provided under 209 CMR 46.61(6)(c) which states, in part:

In assessing whether a Credit Union's performance is "High Satisfactory" or "Outstanding," the Commissioner will also consider the Credit Union's performance in making qualified investments and community development loans to the extent authorized under the law.

Therefore, the Credit Union's investments were considered, in as much as they support the rating of "High Satisfactory" for this test.

A qualified investment for the purposes of this CRA evaluation is a lawful deposit, donation or grant that has community development as its primary purpose. The evaluation considered (1) the number of investments and grants, (2) the extent to which community development opportunities have been made available to the institution, (3) the responsiveness of the institution's community development grants to the assessment area's needs.

During the examination period (August 9, 2007 to February 2, 2012), Leominster Credit Union made \$429,471 in charitable donations, of which \$96,949 or 23 percent went to organizations that promote education, youth programs, health and human services for individuals in need, and economic development throughout the assessment area. The following are examples of organizations that have received benefit from the Credit Union's efforts.

**North Central Massachusetts Community Reinvestment Act Coalition** – This organization builds alliances and partnerships between various groups to maximize the resources and talents of the members to increase access to capital, and to develop the effective services for low- and moderate-income individuals and communities.

**Our Father's House** – This private agency provides shelter and related services to homeless men, women, and children.

**Twin City Community Development Corporation (CDC)** – This CDC has focused on economic development strategies, adding affordable housing and in recent years, community organizing, to more effectively harness the energy and voice of the community in the towns of Fitchburg and Leominster.

**L.U.K. Crisis Center, Inc.** – This organization offers foster care and residential programs for youth; transition to independent living for older adolescents; vocational/educational services; young parent support and young adult homelessness prevention.

**United Way of North Central Massachusetts** – This organization works to improve lives through innovative leadership which identifies and addresses community needs, and provides basic human service needs throughout North Central Massachusetts.

**Boys and Girls Club** – This organization provides social, educational, physical, and cultural programs for boys and girls of whom many are considered low- and moderate-income.

## **COMMUNITY DEVELOPMENT SERVICES**

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical services or assistance. The Credit Union demonstrates a strong level of community development services. Some of the organization include, but are not limited to, the following:

**RCAP Solutions** – RCAP Solutions is a non-profit community development organization. The Credit Union's President and Chief Executive Officer serves on the Board of this organization.

**Habitat for Humanity of North Central Massachusetts** – This organization builds and rehabilitates houses in low-income areas. Leominster Credit Union's President and Chief Executive Officer serves on the Advisory Committee of this local Habitat for Humanity chapter. Additionally, the Credit Union processes and services loans for this organization at no charge.

**Leominster Fair Housing Committee** – The mission of this organization is “to promote community awareness of fair housing in the City of Leominster.” Appointed by the Mayor of the City, Leominster Credit Union's Vice President and CRA Officer serves on this committee. Members of this committee also “mystery shop” for rental properties to investigate whether discrimination within the rental application process exists. In addition, this organization makes Fair Housing brochures available through a local Thrift Shop and Food Pantry.

**L.U.K. Crisis Center, Inc.** – This community-based organization's programs and services include: foster care and residential programs for youth; transition to independent living for older adolescents; youth parent support; street outreach; young adult homelessness prevention; and street outreach. The Credit Union's Senior Vice President serves on the Advisory Board.

**The Greater Gardner Community Development Corporation** – This organization promotes self-sufficiency by creating affordable housing opportunities and providing additional programs that raise the economic, educational, and social levels of residents in its service area. The Credit Union's Assistant Vice President/Real Estate Lending serves on the Housing Committee.

**Montachusett Opportunity Council (MOC)** – MOC developed “Saving for Self-Sufficiency” and “Welfare-to-Work,” two basic banking and budgeting programs, in collaboration with the CRA Coalition. Leominster Credit Union's Vice President and CRA Officer serves on the housing committee and as a “personal banker” under this program mentoring low-income people to assist them in establishing a banking and credit relationship. In addition, a mortgage originator for the Credit Union serves on the Advisory Committee.

**North Central Massachusetts CRA Coalition (CRA Coalition)** – The CRA Coalition's mission is to improve access to capital/credit for low- and moderate-income individuals and communities. The CRA Coalition's members consist of financial institutions, non-profit housing, social service organizations, and representatives from area municipalities. Leominster Credit Union's Vice-President of Lending and CRA Officer serves on the Board of Directors as Vice President and as Co-Chairman of the housing committee providing lending expertise, which assists the organization in developing credit and service programs.

**Twin City Community Development Corporation (CDC)** – The Twin City CDC is a membership organization that invests in and organizes residents to help Fitchburg and Leominster build assets such as quality housing, jobs, strong businesses, and effective leaders. A Vice President serves on the loan committee

**Massachusetts Financial Education Collaborative** – This organization was established to ensure that all residents of Massachusetts have access to high-quality financial education programs. The Credit Union's Financial Literacy Officer serves the organization as a committee member.

**Massachusetts Treasury Financial Education on Reality Fairs** – This organization is comprised of several credit unions and vendors with experience developing reality fairs. The Credit Union's Financial Literacy Officer serves on the committee that created a Reality Fair Tool Kit that gives students curriculum and real life experience to enhance their financial skills.



**Boys and Girls Club** – This organization provides social, educational, physical, and cultural programs for boys and girls of whom many are considered low- and moderate-income. The Credit Union's Senior Vice President/Retail serves on the Advisory Board of the organization.

### **Educational Seminars and Other Services**

In June of 2010, the Credit Union appointed a part-time Financial Literacy Officer to full time status. The Financial Literacy Officer conducts hundreds of classes, seminars and workshops for local schools and community development organizations. Following are some specific examples of the organizations served;

#### **Schools:**

- **Abby Kelly Foster School** – Basic Personal Finance.
- **Clinton High School** – Money and Banking classes.
- **Leominster High School Alternative** – Basic Personal Finance.
- **Robert F. Kennedy School (Special Needs)** – Basic Personal Finance /Living on My Own.
- **Assumption College Partnership** – Partnered with the College, Personal Financial Education.

#### **Organizations:**

- **Boys and Girls Club** – Money Island LCU Financial Game and Personal Finance (Money Matters).
- **Girls Inc. of Worcester** – Money Island LCU Financial Game.
- **First Concerns** – Budgeting for Unwed Mothers.
- **African Community Education** – Currency recognition/what is a Bank.
- **CU4Reality Fair 2010 and 2011** – Work with Committee Members to prepare and participate in the Literacy Programs.

In 2011, the Credit Union sponsored two Preparing for College seminars. These seminars helped students take the first steps toward making a college education a reality. They help students develop skills enabling them to complete financial aid forms, to find free funds through scholarships and grants, and to apply for federal and private education loans.

First-time homebuyer seminars are sponsored by the North Central MA Homeownership Center, which was started with the support of the North Central MA CRA Coalition. Leominster Credit Union is a member of the coalition and pays annual dues that offset the cost of the training.

In April of 2011, the President and CEO of the Credit Union was a panelist in a local housing event entitled "State of the Housing Market." This event was highly publicized and was a frank discussion on housing issues in the area. Participants included political leaders, academics, and housing experts along with the Credit Union.

## **APPENDIX A**

### ***General Definitions***

#### **GEOGRAPHY TERMS**

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

#### **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 20 Adams Street, Leominster, MA 01453."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.